

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

February 24, 2023

3:30 p.m.

DRAFT

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Cathy Giessel, Co-Chair
Senator Scott Kawasaki
Senator James Kaufman

MEMBERS ABSENT

Senator Bill Wielechowski, Vice Chair
Senator Forrest Dunbar
Senator Matt Claman

COMMITTEE CALENDAR

SENATE BILL NO. 48

"An Act authorizing the Department of Natural Resources to lease land for carbon management purposes; establishing a carbon offset program for state land; authorizing the sale of carbon offset credits; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 48

SHORT TITLE: CARBON OFFSET PROGRAM ON STATE LAND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/27/23	(S)	READ THE FIRST TIME - REFERRALS
01/27/23	(S)	RES, FIN
02/24/23	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOHN BOYLE, Commissioner-Designee
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided opening remarks and answered questions during the introduction of SB 48.

RENA MILLER, Special Assistant to the Commissioner
Commissioners Office
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Presented SB 48 on behalf of the administration.

ALISON ARIANS, Deputy Director
Division of Forestry and Fire Protection
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the introduction of SB 48.

CHRISTY COLLES, Director
Division of Mining, Land, and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions and provided information during the introduction of SB 48.

CHRISTOPHER ORMAN, Assistant Attorney General
Natural Resources Section
Civil Division
Department of Law
Juneau, Alaska

POSITION STATEMENT: Answered questions during the introduction of SB 48.

ACTION NARRATIVE

[3:30:36 PM](#)

CO-CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Kawasaki, Kaufman, Co-chair Bishop, and Co-Chair Giessel.

SB 48-CARBON OFFSET PROGRAM ON STATE LAND

[3:30:55 PM](#)

CO-CHAIR GIESSEL announced the consideration of SENATE BILL NO. 48 "An Act authorizing the Department of Natural Resources to lease land for carbon management purposes; establishing a carbon

offset program for state land; authorizing the sale of carbon offset credits; and providing for an effective date."

3:31:41 PM

JOHN BOYLE, Commissioner-Designee, Department of Natural Resources, Anchorage, Alaska, the committee for the series of informational presentations leading up to the introduction of SB 48. They highlighted the opportunity and promise associated with carbon offset projects in Alaska. It can change the paradigm for managing state forests, particularly in the Interior. This will result in healthier trees that absorb more carbon and are more resilient to wild fire, and perhaps grow a forest products industry. The message is that carbon offset projects are not an either or choice. They give a suite of tools to process and harvest more timber and realize more revenue to the state. This will help diversify the economy, grow the budget, and provide economic opportunities throughout the state. He opined that the committee's questions about managing risks and balancing mineral interests in conjunction with carbon offsets have been good and the discussions productive. He said it's becoming clear to everyone that there are many opportunities in this space.

CO-CHAIR GIESSEL listed the individuals who were available to respond to questions.

3:35:08 PM

RENA MILLER, Special Assistant to the Commissioner, Commissioners Office, Department of Natural Resources, Anchorage, Alaska, stated that the bill broadly will enable the state to evaluate new opportunities to generate revenue from Alaska's natural resources through carbon management. It allows the Department of Natural Resources (DNR) to undertake carbon projects on state land, and it allows private parties to lease state land for carbon management purposes. She agreed with the previous statement that carbon projects can be compatible with other uses.

3:36:11 PM

MS. MILLER displayed the graphic on slide 2 that illustrates carbon management to reduce greenhouse gases by either preventing the emission from the source or by removing CO2 from the atmosphere. On the left the drawing shows that emissions from a power plant tie into the CCUS/Geological Sequestration Bill that the committee may hear in the future. In the second option, those emissions tie into forest carbon offsets. This represents the nature-based carbon removal process put forward in SB 48.

3:37:17 PM

MS. MILLER described carbon offset projects outlined on slide 3.

1. Project manages living matter to reduce CO2 in the atmosphere
2. Work with a registry: methodology, project data, validation, audits
3. Credits generated to project, then sold on market
4. Credits applied by buyer to offset emissions

CO-CHAIR GIESSEL mentioned additionality and asked how many board feet were currently being harvested that would not be harvested if the state were to put those state forests into carbon offset projects.

MS. MILLER replied that it was DNR's understanding that the calculation of additionality would be very project-specific. She deferred the question about current harvest to Deputy Director Arians.

3:40:01 PM

CO-CHAIR GIESSEL asked Ms. Arians if she could estimate the number of board feet the state was currently harvesting statewide.

3:40:07 PM

ALISON ARIANS, Deputy Director, Division of Forestry and Fire Protection, Department of Natural Resources (DNR) Anchorage, Alaska, stated that the number varies depending on the year, but in FY2022 the harvest was 9,599 "thousand board feet" (MBF) and in FY2021 the harvest was 42,345 MBF. She offered to follow up with the harvest numbers over the last ten years.

CO-CHAIR GIESSEL said she had the information she needed.

CO-CHAIR BISHOP requested the additional data broken down by region.

CO-CHAIR GIESSEL asked Ms. Arians to send the information to her office and she would distribute it to the committee members.

MS. ARIANS agreed to supply the totals broken into the Coastal Southeast, Coastal Southcentral, and Northern regions.

3:42:17 PM

MS. MILLER displayed slide 4, Carbon Markets - Growth and conveyed that it came from a Shell oil company report forecasting growth in the carbon offset market. She said DNR believes that it affirms that the carbon market is real, it is growing, and that it offers opportunity. She noted the successful projects on Alaska Native corporation lands.

She relayed that DNR it sees real potential in the voluntary market for the state to sponsor carbon offset projects that generate credits that can be sold to companies looking to balance their ledgers.

3:43:04 PM

CO-CHAIR GIESSEL said she'd read that the voluntary market had dropped from \$25/credit to about \$2/credit, and that it was being contrasted with the cap and trade market. She asked whether the state had analyzed that kind of value.

MS. MILLER said she would follow up with an answer, but her understanding was that the voluntary market fluctuates based largely on the buyers' perception of the value of the credits. Nevertheless, DNR expects significant increase in the voluntary market and sees more price stability but less opportunity for the state in the compliance market.

3:45:05 PM

MS. MILLER advanced to slide 5, Opportunity for Alaska, and discussed the following, specifically mentioning the anew report:

- Alaska has the resources
 - Forest carbon potential:
 - 100 million acres of uplands
 - Millions and millions of acres of forested state lands
 - Kelp potential:
 - 60 million acres of tide and submerged lands
- Potential affirmed by third parties
- Benefits for revenue, diversification, economic development
- Constitutional responsibility to maximize use

3:47:42 PM

SENATOR KAUFMAN asked if she said that constructing a road might be necessary to prove or manage a project.

MS. MILLER replied that's a possibility, and in some remote areas helicopters might be necessary.

SENATOR KAUFMAN commented on the emotional conflict associated with building a road to prove an ecological benefit.

MS. MILLER agreed that it could be an emotional issue for some people.

MS. MILLER turned to the State of Alaska General Land Status map depicted on slide 6 and noted that DNR was working on a map that shows where forest carbon offset projects on state land could occur. Part of this process is to look at each legislatively designated areas to determine whether it is compatible with the specific terms of these projects. DNR mapping staff is working on this and the committee will be apprised when the more detailed map is available.

[3:50:12 PM](#)

MS. MILLER reviewed the potential questions listed on slide 7.

- Why would anyone pay us for what we are already doing?
- How does it impact other land uses?
- How to achieve additionality?
- Leakage potential
- Reversals

She opined that SB 48 empowers DNR to address these questions in a manner that protects the state's best interests. She reiterated that additionality will be determined on a case by case basis. Each project will have unique characteristics.

[3:51:42 PM](#)

SENATOR KAUFMAN asked if she would briefly define the terms specifically used in carbon offset.

[3:52:22 PM](#)

MS. MILLER provided the following definitions:

Additionality is really that reduction in greenhouse gas or CO2 emissions, or the increase in carbon storage that you achieve in a project that's in addition baseline - what you're doing anyway.

Leakage is the potential for project reductions to leak out through a forest fire or another situation

where you don't receive those benefits. So leakage is something these contracts mitigate for and it's something one has to consider when you're coming to those terms.

Reversals are for stopping a project for some reason. The contractual terms with a registry and buyers and potentially a project developer include buffers against that.

CO-CHAIR GIESSEL advised that the definitions start on page 6 of the bill.

[3:54:24 PM](#)

MS. MILLER advanced to slide 8 and highlighted the following:

Enable carbon offset projects on state's vast landholdings and extensive shorelines by:

- Making carbon management a possible use of state land
- Allow DNR to lease land to third parties for carbon management purposes
- Task DNR with standing up a carbon offsets program to do state-sponsored projects
- Inventory and assess state's resources for suitability and prospectivity

[3:55:27 PM](#)

MS. MILLER turned to slide 9, SB 48: Overview, and discussed the following:

- Adds a new, revenue-generating option to DNR's state lands management toolkit
- Provides flexibility as state engages in a dynamic field with commercial markets
- Protects the public interest in state lands and multiple-use land management
- Maintains existing land uses by individual Alaskans and by Alaska industries

[3:56:31 PM](#)

MS. MILLER advanced to slide 10, SB 48: Overview: Land leases, and discussed the following:

SB48 enables private parties to lease state land for carbon management projects.

- Applicant applies for a lease up to 55 years

- Lease compensation must be designed to maximize return to the state
- DNR ensures lease is in best interests of the state through formal finding
- No lessee preference conveyed

3:57:30 PM

MS. MILLER advanced to slide 11, SB 48: Overview: State projects, and discussed the following:

SB 48 establishes Carbon Offset Program.

- DNR undertakes carbon offset projects on state land
- Viability, state/local economic effects among evaluation criteria
- Proposed projects require best interest finding/public process
- Makes eligible state land available for carbon offset projects (among other uses)
- State-sponsored projects not allowed on state parks, refuges, rec areas, etc., without legislative approval
- State land remains open to the public for traditional uses (hunting, fishing, access, etc.)
- Program revenue pays for administration, additional projects

3:59:08 PM

SENATOR KAUFMAN expressed interest in seeing a sample contract for a forest carbon offset project, and knowing the broker fees to execute a project and a reversal.

MS. MILLER said she'd look into providing some common provisions, but project development companies generally use different methodologies.

4:01:23 PM

MS. MILLER turned to slide 12, SB 48: Overview: Forest plans, and reviewed the following:

SB48 grants legislative approval for state-sponsored carbon offset programs on state forests.

- Haines State Forest, Southeast State Forest, Tanana Valley State Forest
- Adds carbon offset projects to existing non-timber uses

- Requires management plans to identify appropriate forest land for projects, and requires projects be consistent with management plans

4:02:04 PM

CO-CHAIR BISHOP referenced the second bullet and asked how much carbon the tundra on the North Slope removes from the atmosphere annually and whether that would be an existing non-timber resource that could be sold as a credit

MS. MILLER answered that the bullet speaks specifically and solely to the three state forests, not tundra. She was not aware that DNR had talked to anybody that was interested in a tundra carbon offset project at this time. She deferred further comment to Director Colles.

4:03:47 PM

CHRISTY COLLES, Director, Division of Mining, Land, and Water, Department of Natural Resources, Anchorage, Alaska, said DNR is aware that tundra absorbs a lot of carbon, but a market for tundra has not been identified. She noted that markets in the future may include things like tundra and kelp.

4:04:32 PM

COMMISSIONER-DESIGNEE BOYLE added that the intent of the bill is to provide DNR with broad flexibility to evaluate other opportunities such as tundra and some mineral deposits that might make sense not to develop. It's all very nascent.

CO-CHAIR GIESSEL asked Ms. Miller to continue the presentation.

4:06:16 PM

MS. MILLER presented the sectional analysis for SB 48:

Section 1: Amends AS 36.30.850(b) to exempt DNR from following the state procurement code when contracting with third parties for purposes related to the carbon offset program, streamlining the process.

She said the basis for this provision is to put the state on more equal footing with the commercial parties with which it will be engaging. The contracts could be for consultants that will help the state navigate this new field or project developers. After the commissioner has evaluated a specific proposal, the best interest finding is still required before a project can go forward.

CO-CHAIR GIESSEL asked whether the best interest finding has to be presented to the legislature.

MS. MILLER deferred the question to Director Colles.

[4:08:10 PM](#)

MS. COLLES answered no; a best interest finding (BIF) does not go before the legislature. The department drafts the preliminary decision that goes out for public notice and to agencies. Based on the feedback, the BIF may be amended before the final decision is released. She added that preliminary decisions may be sent to legislators, particularly if their district is affected, and those comments are considered as well.

[4:08:42 PM](#)

MS. MILLER continued the sectional analysis.

Section 2: Amends AS 37.05.146(c) to allow revenue from carbon offset credits to be treated as designated program receipts.

She noted that this new fund is created in Section 6.

Section 3: Conforms to Sec. 4 (leases for carbon management) by exempting the new statute, AS 38.05.081 from the Alaska Land Act's general leasing procedures. This will ensure that leases under AS 38.05.081 do not need to comply with a competitive bid process or auction.

CO-CHAIR GIESSEL asked whether the bidding process would be public or closed.

MS. MILLER deferred the question to Director Colles.

MS. COLLES answered that Section 3 exempts carbon from going through the process of an auction or bid. The statute allows but doesn't require auctions and this provision would exempt the department from having to solicit interest from other parties for a similar project in the same location.

CO-CHAIR GIESSEL observed that this was not like an oil lease.

MS. COLLES said that's correct. She added that it might have been envisioned that way when the statute was written, there typically isn't competition or interest on state lands from

individuals who want to use the same space for a similar activity.

4:12:21 PM

MS. MILLER continued the sectional analysis noting that Section 4 replaces the process that is exempted in Section 3 with a process that is specific to carbon management

Section 4: enacts a new subsection AS 38.05.081 relating to leases of state land for carbon management purposes. The proposed section AS 38.05.081 authorizes DNR to lease land for carbon management. The proposed section would allow DNR to lease lands to private parties to implement their own carbon offset projects.

Proposed AS 38.05.081(b) specifies the process for how a person may apply to DNR to lease lands for carbon management purposes.

Proposed AS 38.05.081(c): specifies a process for deciding between applications for the same land. If there are two or more applications for the same land, the director of the division of lands within DNR has the discretion to select the lessee by considering the applicant's past carbon management experience, the lease term, and the proposed carbon management use of state land. An aggrieved applicant may appeal the decision within 20 days after receiving notice of the decision.

Proposed AS 38.05.081(d): allows DNR to authorize up to a 55-year lease for a carbon management purpose. This subsection also authorizes the commissioner of DNR to terminate a lease if the land is not being used for the approved carbon management purpose.

Proposed AS 38.05.081(e): specifies a lessee does not receive a preference right to purchase the land. February 1, 2023 33-GS1372\A Page 2 of 3

Proposed AS 38.05.081(f): DNR can consider factors set out in AS 38.05.073(m) in deciding the appropriate lease compensation for a lease

under the section, including "the fair market rental value" or the "annual gross receipts" generated by the land.

Proposed AS 38.05.081(g): clarifies that carbon management land leases can be subleased, assigned, renewed, and extended consistent with AS 38.05.070 and 38.05.095.

Proposed AS 38.05.081(h): requires the director of DNR to complete a written best interest finding under AS 38.05.035(e) before leasing lands for carbon management purposes. A best interest finding is required to comply with art. VIII, sec. 10 of the Alaska Constitution and the statutory and case law that implements it.

Proposed AS 38.05.081(i): defines "carbon management" to include greenhouse gas mitigation and non-geologic carbon sequestration projects.

CO-CHAIR GIESSEL asked whether the commissioner or director was awarding the lease because subsection (a) in the new Sec. 38.05.081 says the commissioner may lease state land for carbon management purposes and subsection (c) says the director shall award the lease to the most qualified applicant in the event there are competing applications.

MS. MILLER deferred the question to Director Colles.

[4:15:00 PM](#)

MS. COLLES answered that it depends on the commissioner's delegations, but often the commissioner may be the one to offer the leases and the director authorizes the leases. She also pointed out that much of Section 4 implements what has been done with other long-term leases.

[4:16:01 PM](#)

MS. MILLER advanced to Section 5.

Section 5: of the bill amends AS 38.05.102 by noting that a lessee under the proposed AS 38.05.081 (see Section 4) does not obtain a long-term lease preference right in the land. This is a conforming amendment

consistent with language included in the proposed AS 38.05.081(e) (see Section 4).

4:16:20 PM

MS. MILLER described Section 6 as the core of the bill.

Section 6: would establish the carbon offset program as a new article within AS 38.95 through enactment of AS 38.95.400 - 38.95.499. The new sections create a process for DNR to implement a project to yield carbon offset credits and create a fund for revenues generated from the carbon offset projects.

Proposed AS 38.95.400: establishes the carbon offset program and creates powers and duties for the commissioner of DNR. It allows DNR to contract with third parties to carry out the purposes of AS 38.95.400 - 39.95.499 and explicitly disclaims application of the carbon offset program to activities of private landowners.

Proposed AS 38.95.410: requires DNR to adopt criteria to evaluate carbon offset projects on state lands. The statute prevents carbon offset projects from being undertaken on legislatively designated lands without approval by the legislature or as provided by law. The statute also requires the director of lands, with the consent of the commissioner of DNR, to find that a carbon offset project is in the best interests of the state before undertaking the project [page 5, line 10]. Additionally, carbon offset projects would be limited to a term of 55 years. Lastly, the statute provides that carbon offset projects cannot restrict public access, fishing, hunting, or other generally allowed uses. February 1, 2023 33-GS1372\A Page 3 of 3

MS. MILLER referenced Senator Bishop's earlier comment and said .410(b) potentially could include tundra.

CO-CHAIR GIESSEL said that seems to conflict with subsection (c). It says legislatively withdrawn lands may not be used without approval by the legislature, so all land wouldn't be available.

MS. MILLER answered that the legislatively withdrawn land refers to subsection (b) that says "Except as otherwise provided in statute or regulation adopted by the commissioner, state land shall be available for carbon offset projects." And one of the things that is already otherwise provided in statute or regulation is the legislatively withdrawn land.

She reiterated that the legislatively withdrawn land cannot be used without legislative approval. However, the bill authorizes the use of legislatively withdrawn lands that are within the three state forests.

[4:19:58 PM](#)

MS. COLLES clarified that some legislatively designated areas, such as the Bison Range, may allow carbon projects. She said it will be necessary to look at all the legislatively designated areas to see which ones would allow a project to be done.

CO-CHAIR GIESSEL observed that these projects wouldn't necessarily be confined to state forests.

MS. COLLES said that's accurate.

SENATOR KAUFMAN asked how additionality would be measured on tundra.

MS. MILLER said the bill is written to accommodate the broadest possible range of carbon projects as long as they meet the requirements of the registry, which includes additionality.

[4:22:21 PM](#)

COMMISSIONER-DESIGNEE BOYLE posed a potential scenario to prove additionality on tundra. He pointed out that the coal deposits on the North Slope may be economic to develop, and if the state were to forego that type of extraction that would disturb a number of surface acres of tundra, that may be a means of proving additionality.

MS. MILLER continued to review Section 6.

Proposed AS 38.95.420: specifies that after DNR issues a best interest finding, it may then enter an agreement with a registry to validate a carbon offset project and to generate revenue from the sale of carbon offset credits. AS 38.95.420 would also require DNR to maintain records for verified carbon

offset projects for the term of the project and any additional time period required by the registry.

Proposed AS 38.95.430: Creates the carbon offset revenue fund. The fund would be outside the general fund, would hold appropriations from the legislature, including program receipts from sale of carbon offset credits, and would allow the commissioner of DNR to spend money appropriated to the fund for carbon offset program purposes. Fund appropriations would not lapse.

[4:24:57 PM](#)

CO-CHAIR BISHOP asked whether the terms and conditions in Sec. 38.95.420 would be public records.

MS. MILLER deferred the question to Mr. Orman.

[4:25:45 PM](#)

CHRISTOPHER ORMAN, Assistant Attorney General, Natural Resources Section, Civil Division, Department of Law, Juneau, Alaska, confirmed that the records maintained under Sec. 38.95.420 would be public under the Public Records Act.

[4:26:12 PM](#)

MS. MILLER continued to the definitions in Section 6 and noted that there were 13 terms related to the new carbon offset program.

Proposed AS 38.95.499 provides definitions for the program

Sections 7 and 8: allow for designation of state lands within the Haines State Forest Resource Management Area to be available for carbon offset program purposes.

MS. MILLER noted that the Haines State Forest was already broken out in statute, and the bill makes two changes to accomplish this for all three state forests.

[4:27:07 PM](#)

CO-CHAIR GIESSEL asked why the Haines State Forest was called out separately.

MS. MILLER deferred the question to Mr. Orman.

MR. ORMAN replied that they're separate statutes. First, the legislature withdrew the Haines State Forest Recreation Area and identified it in AS 41.17.200-230. After that the legislature identified two more state forests and created the state forest system in AS 41.17.400 and AS 41.17.500.

Section 9: amends AS 41.15.315, which requires that the Haines State Forest Resource Management Area be managed under the principles of multiple use and sustained yield, by adding a new subsection to require DNR to amend the management plan required under AS 41.15.320 to identify lands appropriate for carbon offset projects.

Section 10: amends AS 41.17.200 to provide that state forest system lands are eligible for carbon offset projects.

Section 11: amends AS 41.17.220 to provide that in addition to managing state forests under the sustained yield principle, provisions of AS 41.17, and a forest management plan, state forest lands must also be managed in accordance with a carbon offset project.

Sections 12 and 13: require DNR to update existing forest management plans to accommodate carbon offset programs.

[4:32:01 PM](#)

CO-CHAIR GIESSEL asked whether Sections 9, 12, and 13 also provide the opportunity for public participation in land management questions.

MS. MILLER deferred to Director Arians to discuss the public process associated with forest management plans and any amendments to the plans.

[4:32:29 PM](#)

MS. ARIANS responded that the management plans for all state forests require a public process that is laid out in statute. A draft plan is released for public review, the comments on the draft are all answered, a final plan is released and it undergoes public review, and after that the commissioner signs the plan. The statute also provides for an appeal process.

[4:33:19 PM](#)

MS. MILLER continued the sectional analysis.

Sections 14 and 15: allow DNR to immediately adopt implementing regulations, but the regulations would not take effect until the effective date of the bill.

MS. MILLER conveyed DNR's preference for an immediate effective date.

CO-CHAIR GIESSEL asked whether the regulation had begun.

MS. MILLER asked Director Colles to confirm that the process had not begun.

MS. COLLES said that was correct.

CO-CHAIR GIESSEL observed that a regulation package usually takes a year to complete.

MS. COLLES estimated that it would take 2 years, depending on the public interest and number of comment periods.

[4:34:44 PM](#)

SENATOR KAUFMAN pointed out that a criticism of this plan is that it's going the wrong direction because it will tie up more of Alaska's limited state land. He asked if that was an accurate characterization and if there were any mitigations.

[4:35:34 PM](#)

COMMISSIONER-DESIGNEE BOYLE said DNR's position is that a carbon management project does not create a new conservation unit; the areas would be open to multiple uses such as hunting, fishing, camping, recreating, cutting firewood, and even a mineral project. The terms will differ with every project, but the state is obligated to take a well balanced viewpoint. Article VII of the constitution mandates the development of state resources by making them available for maximum use consistent with the public interest. He emphasized that he looks at carbon projects as maximizing opportunities for Alaskans.

[4:39:17 PM](#)

SENATOR KAUFMAN asked if carbon projects would be enabling a new form of tax.

COMMISSIONER-DESIGNEE BOYLE said he'd heard that concern but he didn't agree. The authority that is sought is for the state to be able to engage and evaluate with individuals in the voluntary market interested in doing carbon offset projects. The state

would not be imposing a carbon tax or a cap and trade system on existing entities within the state. The state seeks to engage with entities that are voluntarily choosing to pursue carbon offset projects as a mechanism to meet net zero benchmarks. The choice for Alaska is whether it wants to participate and profit from these projects.

4:44:22 PM

SENATOR KAUFMAN asked if there was anything that could be done to ensure that revenue that is generated from these projects is spun off and not simply funding their own existence.

COMMISSIONER-DESIGNEE BOYLE replied that it is DNR's intent to bring in revenue to the state in excess of the cost of administering the program. The state is able to play a role with very low risk exposure. The project developer pays the state lease fee and to implement the project. He noted that the state could develop a project on its own, but that was not the intention at this point.

4:47:26 PM

CO-CHAIR GIESSEL said this project has appeal for people who want to see forests managed more productively, but she worries about the estimates of revenue. The anew report identified the Haines forest as the most productive area and estimated the value at \$15-25/credit, but recent reports indicate the price has dropped to \$2.00/credit. The state's investment wouldn't be as large as the developer, but putting together the regulation package would not be free. Given the state's track record on investment decisions such as the Delta grain storage project and the seafood processing plant in midtown Anchorage, there is cause for concern.

She said the committee will hear the bill again, but any update on the value of the carbon credits would be very helpful.

COMMISSIONER-DESIGNEE BOYLE assured the committee that DNR was looking at the program through the same lens. Clearly, the state has had a poor track record of picking winners and losers. That's why the bill gives DNR broad flexibility to monitor and track the development of this nascent market, and make an educated decision on where the state should get involved in this space. He opined that it should give some confidence to the public worried about the disposition of public funds, that this program would be a very modest increase in the budget. Just one of the benefits that would accrue to the state is that the new

staff would also help make the department's permitting teams more robust and efficient in processing other permits.

4:53:27 PM

CO-CHAIR GIESSEL held SB 48 in committee for future consideration.

4:54:11 PM

There being no further business to come before the committee, Co-Chair Giessel adjourned the Senate Resources Standing Committee meeting at 4:54 p.m.